

Message Text

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SUBJECT: BILLION DOLLAR OIL SANDS PROJECT APPROVED BY ALBERTA
GOVERNMENT

REF: CALGARY'S A-139, SEPT 11; A-67, MAY 17; A-48, MARCH 28

1. ALBERTA'S PREMIER LOUGHEED ANNOUNCED TUESDAY EVENING IN A PROVINCE-WIDE TELEVISION APPEARANCE THE SIGNING OF THE LONG AWAITED AGREEMENT WITH SYNCRUDE CANADA WHEREBY THE LATTER WILL COMMENCE CONSTRUCTION OF THE LARGEST PROJECT EVER UNDERTAKEN IN ALBERTA, A \$1 BILLION OIL SANDS PLANT NEAR FORT MCMURRAY, 225 MILES NORTHEAST OF EDMONTON. BY 1978 THE PLANT IS EXPECTED TO BE PRODUCING 125 THOUSAND BARRELS OF SYNTHETIC CRUDE OIL A DAY. SYNCRUDE CANADA IS A CONSORTIUM OF FOUR COMPANIES - IMPERIAL OIL, ATLANTIC-RICHFIELD, CITIES SERVICE AND GULF OIL.

2. THE PREMIER SAID THAT NEGOTIATIONS HAD BEEN PROLONGED AND DIFFICULT BECAUSE OF SEVERAL NEW CONCEPTS CONCERNING ROYALTIES, PUBLIC PARTICIPATION, PROFIT SHARING, AND ENVIRONMENTAL ISSUES. IN TERMS OF ROYALTIES TO BE PAID TO THE ALBERTA GOVERNMENT,
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LOUGHEED ANNOUNCED THAT A PROFIT-SHARING CONCEPT WOULD BE EMPLOYED, WITH THE PEOPLE OF ALBERTA RECEIVING 50 PERCENT OF ALL

PROFITS BY WAY OF ROYALTIES.

3. THE PREMIER ALSO STATED THAT PUBLIC PARTICIPATION IN THE PROJECT WILL BE HANDLED THROUGH THE CREATION OF THE ALBERTA ENERGY COMPANY, AN ORGANIZATION WHICH WILL PROVIDE FOR A 50-50 PARTNERSHIP BETWEEN THE PROVINCIAL GOVERNMENT AND THE PEOPLE OF ALBERTA. THIS COMPANY WILL PERMIT ALBERTANS TO PARTICIPATE IN UP TO 80 PERCENT OF THE PROPOSED PIPELINE, UP TO 50 PERCENT OF THE ASSOCIATED POWER PLANT THAT WILL BE BUILT NEAR THE SYNCRUDE PLANT, AND UP TO 20 PERCENT IN THE SYNTHETIC CRUDE PLANT ITSELF. HE EMPHASIZED THAT STRINGENT ENVIRONMENTAL CONTROLS ARE TO BE IMPOSED ON THE PROJECT, AND THAT INDIAN RESIDENTS OF THE AREA WILL BE GIVEN TRAINING FOR JOBS AT THE NEW PLANT.

4. THE ALBERTA PREMIER WARNED THAT THREE ISSUES REMAINED TO BE RESOLVED: (A) THE FEDERAL GOVERNMENT MUST CONFIRM THAT THE PROFIT-SHARING ROYALTY PLAN WILL BE TREATED, FOR TAX PURPOSES, THE SAME WAY AS THE USUAL GROSS ROYALTY CHARGE; (B) THE FEDERAL GOVERNMENT MUST GIVE ASSURANCE THAT IT WILL NOT STRIVE TO REGULATE THE PRICE OF SYNTHETIC CRUDE BELOW THE LEVELS ATTAINABLE IN A FREE INTER-NATIONAL MARKET; AND (C) THE LABOR AGREEMENT REMAINS TO BE NEGOTIATED TO AVOID LABOR STRIFE DURING CONSTRUCTION.

5. FRANK SPRAGINS, SYNCRUDE PRESIDENT, SAID THE ALBERTA GOVERNMENT WAS VERY INSISTENT DURING NEGOTIATIONS, AND EMPHASIZED THAT THE COMPANY HAS TO ASSUME THAT THE FEDERAL GOVERNMENT WILL GIVE SPECIAL CONSIDERATION TO THE PROJECT, AND WILL NOT APPLY CONDITIONS WHICH WILL PREVENT THE ECONOMIC OPERATION OF THE PLANT. HE EMPHASIZED THAT THE PROJECT WILL BE A SUBSTANTIAL CONTRIBUTOR TO THE PROVINCIAL TREASURY, WILL CREATE STEADY JOBS FOR 3 THOUSAND ALBERTANS, WILL PROVIDE ADDITIONAL JOBS FOR ABOUT 7 THOUSAND OTHER PEOPLE, AND WILL GIVE LEADERSHIP TO OTHER COMPANIES THAT MAY FOLLOW IN THE DEVELOPMENT OF ALBERTA'S TAR SANDS.

6. THE SYNCRUDE PLANT WILL BE THE SECOND IN THE FORT MCMURRAY AREA, WITH GREAT CANADIAN OIL SANDS, A SUBSIDIARY OF SUN OIL COMPANY CURRENTLY PRODUCING APPROXIMATELY 60 THOUSAND BARRELS OF SYNTHETIC CRUDE PER DAY.

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7. LOUGHEED CONCLUDED HIS ANNOUNCEMENT BY CREATING HIS OWN PROVERB "ALBERTA GIVETH AND OTTAWA TAKETH AWAY". HE TOLD HIS TELEVISION AUDIENCE THAT THE PROVINCIAL GOVERNMENT INTENDS TO FIGHT THE FEDERAL GOVERNMENT'S PROPOSAL TO "RAID THE ALBERTA TREASURY THROUGH IMPOSITION OF AN EXPORT TAX ON OIL". HE THEN POINTED OUT THAT THE SYNCRUDE OIL SANDS AGREEMENT NEGOTIATED BY THE PROVINCIAL GOVERNMENT COULD BRING \$1 BILLION IN ROYALTIES TO ALBERTANS.

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